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## **Peruvian experience on prevent and resolve collective labour conflicts**

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## **Peruvian Experience to Prevent and Solve Collective Labor Conflicts**

(Working paper, by Hernán Ricardo Briceño Avalos\* presented in the “*Third Labor Economy Conference – CEL III*”, held in Lima, 29-30 of October, 2009)

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## **Peruvian Experience to Prevent and Solve Collective Labor Conflicts**

### **Abstract:**

Admittedly, collective labor conflicts come from different economic activities, but it is fair to point out that in Perú they occur more often in both mining and quarrying activities than others. These kinds of social conflicts can be quite costly for our economy if the authorities do not intervene to resolve them on time, thus, these so-called conflicts can make Peruvian union workers fall prey to this senseless complaining related trend to the extent where union rights can become a double edge sword in terms of convenience and/or benefit. This way, it is one of my interests to show how the Peruvian Ministry of Labor social affairs is dealing with these kind of social problems every day -to keep them on at controllable lowly even keel rate-, the public policies that have been implemented to strengthen its activities for preventing and resolving collective labor conflicts, their main causes, agreements to resolve them, among other related issues. Finally, I consider that the economic and social benefits that the Ministry of Labor reports in each intervention for Perú, must be measured in order to inform Peruvians and other institutions; that is what I intend to formalize in this paper.

## Peruvian Experience to Prevent and Solve Collective Labor Conflicts

### I.- Introduction

Peruvian collective labor disputes refer to confrontations between unionized workers (owners and suppliers of the labor force) and employers (labor demander) in the labor market institutions, whose treatments have not been yet regulated by a special law such as *collective working relationships*<sup>1</sup>; furthermore, these are caused by different factors, but possible to be solved in time, in prior to and preventing ways, in order to avoid high costs for the economy such as strikes and stoppages. Historically, the market labor has been a central institution in the economic analysis to allow us to explain the economic cycles and macroeconomic disequilibrium (Keynes, 1936), for instance, this institution has been taken into account by policymakers and some academic and researcher economists. Additionally, it has been currently considered as one of the twelve (12) main pillars to explain the competitiveness level of a country, according to Global Competitiveness Report (2009-2010).

Consequently, we can notice easily that there are different imperfections in the labor market, and how Garavito (2006) said, according to North Douglas (1990), “we realize that institutional framework in the labor market is not only inefficient but also it is susceptible to be improved”<sup>2</sup>. Moreover, the labor conflicts “are different, and dependent of labor conditions that have been deteriorated, there are rights or interest disputes that take place between workers and employers. The resolution of labor conflicts occurs after negotiations between representations of unionized workers and representative of employers, and if there are not agreements, the official mediation institutions intervene. In difficult conflict events the employers can go on strike, and patrons can adopt the patron closing”<sup>3</sup>.

The labor conflict issues have been historically and widely know around the world, among them we have the occurred ones in the Great Depression episode (1920-1930),

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<sup>1</sup> It is far to point out that International Labor Organization and the Peruvian Political Constitution said that workers are entitled to unionize and strike liberty “as time goes by” and this fact is in turn making our knowledge and development sharper, however many Peruvian workers are faced with the need of being social conflicts managed which is something that the government might not have been used too.

<sup>2</sup> Garavito, Cecilia. Employment. Pontifice Catholic University of Perú.

<sup>3</sup> [http://es.wikipedia.org/wiki/Conflictividad\\_laboral](http://es.wikipedia.org/wiki/Conflictividad_laboral)

when the enterprises were forced to reduce their production costs, and employees were laid off. Moreover, some countries have been institutionalizing collective labor conflicts through the collective bargaining laws, which have been accepted by workers as a successfully channel to reach their economic interests, consequently, workers and employers help and talk to each other to solve their interests and reduce social tension; the State plays a fundamental roll (Samukkethum, 2001)<sup>4</sup>.

In Perú, the Ministry of Labor and Employment Promotion –through National Direction of Working Relationships-, Regional Directions of Working and Employment Promotion Offices of Regional Governments, and Judicial Institutions<sup>5</sup>, are the main actors to promote social dialogue as an instrument to prevent and solve labor conflicts. On the other hand, the strikes in Perú, as in many places around the world, are the result of unsolved labor conflicts, the disability of workers and employers to arrive agreements about worker demands, or scarcity tolerance of both to follow peacefully bargain. It is important to point out that most of Peruvians prefer to visit administrative institutions and regulator agencies to resolve their own demands, complaints, and some overall conflicts because the judicial institutions are unfriendly and have not enough credibility; as well as, they have highly accessing administrative costs, due to honorary lawyers, hoping time to give a sentence, among other compelling factors.

When *collective labor conflicts* cannot be solved peacefully in time, the results are high costs for Peruvian economy, for example, in the case of stoppages and strikes, we have human capital losses represented them in millions of working hours<sup>6</sup>; which have been considered by many authors such as one of main production factors (Becker, 1990, Solow, 1956). There is not doubt that in some cases these *collective labor conflicts* exasperate street protests, including bandit actions with loss of human beings (La Oroya and Casapalca, 2009). For example, in the mining case we do not extract and produce minerals, for instance, there is not exportations, employment reductions and other kind

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<sup>4</sup> This is exactly what Ministry of Work and Labor Promotion is doing in order to reach the resolution of labor conflicts.

<sup>5</sup> The Defensoria del Pueblo, overallly when knows about social conflicts, basically participates getting knowledge about them and sending them to the corresponding related institutions; according to the constitutional fundamental right mandates and the supervision of Peruvian government. Peruvian State Constitution of 1993.

<sup>6</sup> Ministry of Work and Labor Promotion. Statistics and Informatics Office. The Strikes in Perú. Statistics Bulletin.

of losses, non international money; this way all Peruvians workers, enterprises, central and regional governments are resulting damaged from labor conflicts.

In different countries, the strike costs have been estimated broadly in terms of Gross Domestic Product (GDP), for example, 0,25% in United Kingdom, 1% in Canada, 2,54% in India, among others; Perú has not made quantitative assessments to estimate the costs from these detrimentally costs of strike and stoppage related activities; furthermore, we have not found yet the production-strike sensitivity (eslasticities). However, we can inference from basic and preliminary studios of National Society of Mining, Oil and Energy (SNMPE) that Peruvian economy is losing by each twenty four (24) stoppage hours in mining industry about US\$ 15 millions, according with last 24-hours-stoppage in mining industry of 2007<sup>7</sup>. Let me show the mainly direct and indirect costs:

a) Main losses for workers. Dramatic losses in remuneration for workers, if they do not work, those stoppage workers should not receive payments, specially when stoppages and strikes are considered illegal, consequently, these workers and their family will not have money to finance their off the shelf daily activities and satisfy their basic necessities. These facts lead stoppage workers to keep under compelling psychological pressures; they can finish with detrimental emotional problems, which in turn with physical waste, reducing their productivities for working. Besides, this reduce the possibility that workers can be trained and educated by employers, similarly, impossibility future worker improvements to generate more income; among other costs regarding human capital losses (working hours).

b) Main losses for enterprises. The *collective labor conflicts* are detrimental to enterprises in different ways because when workers stoppage, the labor input in these workplaces is negatively affected, for instance, conflicting enterprises reduce their daily production and selling income, at same time this affects productivity and efficiency at workplace, the present and future enterprise benefits; disabling new future investment, etc. Finally, we can consider that in case of international companies as mining enterprises, the discredit of their managers to resolve labor problems easy and keep up

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<sup>7</sup> This stoppage was auspice and promoted by Peruvian National Federation of Mining, Iron, Steel, and Metallurgy Industry.

with good unionized practices at workplace. Also, many Human Resource Managers can be seen such as bad administrators by enterprise owners.

c) Main losses for Peruvian government. A detrimentally direct effect from labor conflict is the reduction of taxes collection, scarcity of funds to finance social programs of food, health, houses, education, and others, especially for poor people. Additionally, the exportations reduction caused by *collective labor conflicts*, causes reduction in foreign currency to finance international buying of technology, inputs and machineries difficult, to reach efficient production of Peruvian enterprises; consequently, reduction of productivity and competitiveness in our country. The collective labor conflicts cause detrimentally noise in the economy, the investment status that some international risk assessing agencies and well-know international investment banks are given for Peruvian economy in the last years can suffer detrimental reduction. Moreover, international investors, foreign citizens and governments, can have a bad vision about Perú such as productivity investment place, tourist destination, etc. This fact can in turn generate low investment, zero of new productive and/or formal employments; consequently, these can lead increasing of not dignity employment<sup>8</sup>.

As we can see, due to the high costs and the detrimental consequences of unsolved labor conflicts in Peruvian economy, during the last years authorities, especially the federal government, have paid special attention to these conflicts. Now, let us take a look at the causes of these social conflicts that government must consider when implementing public policies in order to reduce them.

a) Economic motivations. They appear when employers do not comply with paying workers economic and social benefits according to social standards and employment laws. Salary payment delays; lack of social security provision; security life and accident insurance; seniority bonus; vacation payments; extra working hours etc. We must take into consideration that some studies show that in France the number of strikes in one specific year will increase if workers succeeded at getting a salary raise in collective negotiations the year before (Den butter and Koppes, 2005).

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<sup>8</sup> This is against, main recommendations of International Organization Labor and Peruvian State Constitution.

b) Labor welfare. They appear when workplaces do not have family-friendly policies, or maybe industrial security regulations have not been implemented. In addition, workers, who are not treated with respect, develop their activities under psychological and physical pressures, or even worse, there is not a specific workplace for them to develop their activities. Actually, some employers harass unionized workers and labor union leaders; therefore, employers incur in anti-union practices, a fact which may even lead employers to fire unionized workers or their leaders.

In this group we also have a little access to medicine, employers who are not provided with appropriate tools or uniforms to carry out their daily job activities and last but certainly not least, employers who constantly break laws of security. These facts will eventually lead to the increase in accidents at workplaces.

c) Social and ideological motivations. These motivations refer to social, environmental, cultural and political factors that have indirect impact on workers' decision to declare in a conflict of interest or go on strike other than for work-related-reasons only (economic or social). Among these reasons we have community influence or its representatives' on workers' behavior, some workers' eagerness to establish their own unions in order to have influence on the entrepreneur, owners or managers' decisions. Additionally, there is foreign as well as external influence such as the anti-globalization or environmental groups.

According to an evaluation report for social conflict report (July, 2009) by the Ombudsman (Defensoría del Pueblo), there were 272 social conflicts in Peru (including labor conflicts), of which 82% are active and the other 18% are in process. Likewise, this report shows that in July of the current year, there were only 31 labor conflicts, 11 belong to the national scope, 5 to Lima and 3 to Piura. Such results differ from those of the Ministry of Labor and Employment Promotion<sup>9</sup>. This difference of numbers is because the Ombudsman cannot handle the real numbers of labor conflicts; on the contrary, these numbers are obtained from secondary sources such as the media (newspapers, magazines, television and radio programs etc.).

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<sup>9</sup> For the Ministry of Labor and Employment Promotion the amount of labor conflicts were more than 70 in the same month.



## **II.- The Administrative Labor Authority**

### ***The Ministry and The Regional Directions to Labor and Employment Promotion***

Besides the regular supply and demand agents in the labor market there is a third element, the State (as regulator) which, according to theoretical economic imperfections in this market (such as asymmetric information between the two parties<sup>10</sup> and positive externalities of training programs for workers<sup>11</sup>, negative externalities of labor conflicts, etc.), is in charge of supervising and regulating in order to reduce losses and costs of market failures, towards the second-best solution<sup>12</sup>. Moreover, to deal with prevention and resolution of compelling labor conflicts, whose costs are socially higher than the private ones, referring exclusively to the Ministry of Labor and Employment Promotion (in the National Direction of Working Relationships), throughout the twenty five (25) Peruvian political regions.

The National Direction of Working Relationships is a special office of the Ministry, which depends directly on the Vice Ministry of Labor,<sup>13</sup> whose core competences are the coordination, proposition and evaluation of national policies for collective and individual work relationship issues by promoting social dialogue, conciliation and arbitration as means of solving labor conflicts and work relationships between employees and employers<sup>14</sup>. The National Direction Office is subdivided into four offices: (i) Legislation on Labor Studies, (ii) Training and Education, (iii) Technical Direction, Labor Welfare and Social Security and (iv) Regional Coordination Unit, all of which focus on labor conflicts prevention.

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<sup>10</sup> Spence, Michael. Job Market Signaling. The Quarterly Journal of Economics. Vol. 87. Nº 3 (August, 1973). Pp. 355-374.

<sup>11</sup> Becker, Gary. Human Capital. A Theoretical and Empirical Analysis, with Special Reference to Education. National Bureau Economic Research. Third edition, 1993. Furthermore, the research of Romer (1986) and Lucas (1998) consider that the increasing of productivity is nearly associated mainly with human capital investment. Lucas said that the investment in human capital of one person not only causes increasing in his/her own productivity but also in other workers. In other words, there are positive externalities from investment in human capital. Perlbach, Iris and Calderon, Mónica, "Education and Growth: Evolution of Mendoza Municipalities".

<sup>12</sup> The ideal situation is that there are not problems (the first best). The State can intervene in order to reach minimum cost of social losses (second best).

<sup>13</sup> It is fair to point out that in the Ministry of Labor and Employment Promotion there are two Vice-ministries, another one is the Vice-ministry of Employment Promotion.

<sup>14</sup> It is important to show that there are some forthcoming changes in the Ministry organization, when the new Organization and Function Regulation Law takes effect.

Likewise, the (i) Direction of Training and Education is diffusing different prevention labor conflict oriented laws and regulations as a mechanism to avoid potential labor conflicts, this Office is giving trained programs for workers, especially, for unionized leaders who are managing and directing union organizations, and employers (entrepreneurs), among others. Regarding, (iv) Regional Coordination Office, this is putting in charge the complying supervision of national proposals in labor conflict prevention related affairs, working occupational risk protection, welfare and securities protection for workers, among others. Furthermore, one of the main functions of the (iii) Technician Direction of Labor Welfare and Social Security is exactly to promote the dialogue, conciliation, mediation, and arbitrage such as resolution tools of labor confrontations, appeared in working relationships between workers and employers.

This way,<sup>15</sup> in order to develop exclusively prevention and resolution oriented activities to avoid labor conflicts the Ministry has implemented this year (2009) a new exclusive Prevention and Resolution Labor Conflict Office, with the goal to intervene prior and/or on time; and the previously year, 2008, had implemented the new *Early Alert Information System* to receive information and manage labor conflicts in the national scope on time. When the Ministry realizes about these facts (collective labor conflicts), the conciliators of this Office operate quickly developing *informative meetings* with workers or employers, separately, call off *dialogue meetings* with employees and employers all together, furthermore, they coordinate official diligence with Working National Inspection of this Ministry to visit workplace enterprises in conflict, among other related activities.

According to the Peruvian political division, in the Regional government scope, we have Regional Directions of Labor and Employment Promotion, which are non concentrated (or independent) offices of the Ministry of Labor, they depend technically and normatively of the Ministry. As well as both institutions have exclusive and shared functions. A further point is that Regional Directions have the commission of performing political actions issued by central institutions according to state Peruvian

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<sup>15</sup> The Early Alert System results are currently assessing by one Engineer and one Economist –helping them by two assistants-, indeed, the National Direction Office has started issuing recently a monthly institutional document “Statistics about Prevention and Resolution Labor Conflict Related Activities”. These activities must be part of the especial department for assessing labor conflicts, to obtain conclusions and recommendations for better monitoring and adaptation of related public policies to effectively prevent labor conflicts.

policies, sector and regional plans about work and employment promotion; moreover, to guide, supervise and evaluate other correspondently labor and working sector actions.

In addition, within these twenty five (25) Regional Direction Offices of Labor and Employment Promotion there are two especial offices: (a) Labor Conflict Prevention Office, and (b) Employment Promotion, Profession Formation and Micro and Small Business Office. At the same time, the first regional office (a) is composed by four sub offices: (i) Collective Bargain, (ii) Labor Inspection, Security and Health in the Job, (iii) General Registration, and finally, (iv) Gratuitous Legal Defense. Admittedly, since the Organization and Function Regulation Law of the Ministry of Labor we can only inference that in the Peruvian political regions the Labor Conflict Prevention Offices must deal with prevention and resolutions related activities to *collective labor conflicts*; but it is better that this especial function can be expressed by writing in the organization law.

There is no doubt that, the best way to resolve the labor conflict is through the direct social dialogue; talking, bargaining and/or discussing between workers and employers with the aim to reach a peacefully agreement bout labor legislation controversies, worker demands and complaints<sup>16</sup>. If both (workers and employer) can not resolve directly their own controversies, there are Conflict Resolution Related Alternative Mechanisms (MARCs) to return again to dialogue through extra process meetings<sup>17</sup>, in order to resolve their *collective labor conflicts*, these fact can be made in all Regional Direction of Labor Conflict Prevention and Resolution. Moreover, it is possible to visit (in secondly instance) to National Direction of Working Relationships of the Ministry to ask for a meting between the shares of conflicts, being the mediator and/or conciliator (especial lawyers). Most of the time when the labor social dialogue breaks out, the conflicts turned into stoppages and strikes, bringing huge costs for Peruvian economy.

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<sup>16</sup> Taking account the Theory of Game, those are “Cooperative Games” which need explicit agreements or contract in order to comply these agreements.

<sup>17</sup> Ministry of Labor and Employment Promotion. “Friendly Working Relationships”, about Conflict Resolution Alternative Mechanisms in Labor oriented Affairs. Pp. 20. Printed by Graphic Creative. Lima - Perú, 2008.

It is important to point out that, different European countries such as The Netherlands, France, etc., have developed the Rhineland Model<sup>18</sup> where public policy and economic political proposals are developed in scientific way, allowing the social dialogue (Den Butter, 2006), in Perú most of the times the implementation of these policies, and specially the labor policies, not having those direction, in spite of the fact that in the last years the labor economists have increased in Perú (Yamada, 2004). Overall, there is not a Peruvian institution that makes these statistic, mathematic, and economic studios (ex-ante) to measure the impact of these kinds of policies adaptation previously, through econometric specifications and models similar other developed countries<sup>19</sup>. Marginally, in the last years to pass some law projects the Congress of Peruvian Republic requires an benefit–cost assessment, which is most of the time superficially doing by advisers, because Peruvian Public Sector do not have specialized professionals; most of them are lawyers without mathematics and statistics training.

***Enhancing the prevention and resolution labor conflict functions of the Ministry:  
The Early Alert Project***

With the aim to enhance the prevention and resolution labor conflict related activities in Perú, the Ministry of Labor and Employment Promotion signed an international cooperation agreement with International Spain Cooperation Agency to Development (AECID) of the Spain Kingdom Government, to implement the “Early Alert System” in four years (2007-2010), which cost was S/. 2.976.087.<sup>20</sup> According to the International Cooperation Agreement, the cost of the project should have financed by both, Peruvian government and AECID, with 60% and 40% of the cost, respectively. For instance, at the final period the Spain Cooperation Institution will have spend (as a donation for Perú) S/. 1.170.018 Nuevo Soles (equivalently to 300.000 Euros) and the Ministry will have invested S/. 1.806.069 Nuevos Soles, (equivalently to 463.094 Euros). However,

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<sup>18</sup> The Rhineland Model is that it poses a balance between free market-forces and social an environmental responsibility. Social justice cannot be attained through market forces only, but must be guaranteed by society. Cooperation rather than competition is the keyword. Economic security before economic flexibility.

<sup>19</sup> For instance, we must know the elasticity (percentage production variations in the presence of labor conflict variations) in the mining or industrial sectors; consequently, we can currently realize how Perú is losing quantitatively for each labor conflict, in these economic production sectors.

<sup>20</sup> This international cooperation agreement has its origin in the Final Minutes of the IX Mix Commission of Hispano-Peruvian Cooperation, happened in Lima, on November, 23, 2006.

the execution of the project started in January of 2008, and it is expected to finish by the end of 2011.

Thus, the Early Alert Project look for enhancing especially the National Direction of Working Relationships as an institution to coordinate, propone and assess the national policies about collective and individual relationships at workplaces by promoting the social dialogue and the Conflict Resolution Related Alternative Mechanisms (MARCs). Consequently, the Project has three mainly components: (i) improving those Conflict Resolution Related Alternative Mechanisms, (ii) training people (workers, employers, union leaders, public employees) in order to resolve the labor conflicts; and (iii) early management of conflicts. Therefore, to reach these results, the activities of the project are concentrate in: (a) campaigns to promote and diffuse of labor laws and Social Responsibility of Employers and Employees, (b) improving the social dialogue in the Ministry with participation of employers and employees, (c) buying and replace information equipments, (d) conditioning the areas of the National Direction Office to have capacity to attend the conflict labor actors; and (e) develop and implementation of a especial software about “Early Alert”.

The Early Alert System includes the general dates of enterprises, workers (and unions) in conflict, the law conditions of them, official names, legal representing, the official number as contributor (RUC), telephone number, address or geographical localization, includes the political Region, among others. As well as facts of the problems (or collective labor conflicts) such as dates, main occurrences, main causes of conflicts, prior diligences and actions adopted by Regional and National Labor Authorities on these conflicts.

Nowadays, the actors that feed/use the System are public workers of the Regional Directions of Labor and Employment Promotion and National Direction of Working Relationships, who keep up with the current information about labor conflicts in their own region. It is possible that after its complete implementation around Perú, it can be worthy for other Public Institutions, Ministries, the Ombudsman (Defensoría del Pueblo), private institutions, unions, non governmental organizations (ONGs), enterprises associations, etc. Since the implementation of the System, March of 2008,

(over one and half year), the main causes of conflict labor are collective bargaining of complaint statement sheet.

Taking into account the training actions and the labor law diffusion of the Project, the unionized workers (and non unionized workers), as well as the employers (and employer society) are expected to get witty knowledge about labor law issues such as labor collective rights, labor individual rights, collective bargaining, union rights, direct and indirect hiring worker laws, intermediation hiring worker laws, etc., of course, the best witty knowledge about these laws will permit rewarding bargaining of labor contracts and/or the asking workers.

On the other hand, the development of the Early Alert System the Ministry of Labor and Promotion Employment is, without a doubt, likely to foster thorough solutions in case of odd relationships in the labor market between employees and employers so as to avoid detrimental consequences for Peruvian economy. This System is meant to provide and promote quick solutions in labor market situation of people, in other words, it is able to help labor authority enforce resolutions mechanisms in order to solve collective labor conflicts. Before the adaptation of the System, some labor conflicts triggered stoppages and strikes, some of which resulted in street protests and confrontations between workers and police officers.

Finally, it is fair to point out that the other institutions benefited with the international project is the National Council for Work and Employment Promotion which is a consultation institution of the Ministry of Labor. The National Council is the highest natural scenario for social dialogue between workers, employers and the State (including the Minister and the Regional authorities). Basically, the Counsel is supposed to support better training and education programs as well as the prevention of labor conflicts and the mechanisms to solve them.

### **III.- The Collective Labor Conflicts and the Ministry of Labor and Employment Promotion**

In order to know how about the Peruvian experience to resolve *collective labor conflicts* has been those years, I have reviewed carefully all the files stored about different cases

of these kind of *labor conflicts* dealing by the Ministry of Labor, since January of 2006 through this year (September, 2009). Those archives are exactly in the National Direction of Working Relationships, and contained citations to informative meetings, dialogue meetings, and extra-process meetings, assistance writing minutes, agreement writing minutes in the case of conflict resolution, some historical financial analysis of entrepreneurs in conflict, among other documents.

### Collective labor conflict classification

First off, we have to point out that the confrontations between workers and employers called by the Ministry of Labor as *Collective labor conflicts* in the assessing period (2006-2009) have reached more than half thousand, and they are from different economy activities. Some of those labor conflicts have been dealing correctly by the Ministry, reaching rewarding solutions, whereas other cases are even in the dialogue stage, this means that they have been bargaining between actors yet, with the thoroughly participation of Ministry of Labor as both, social dialogue facilitator and promoter, at the same time.

**Table N° 1: Collective labor conflicts by economic sector**

<b>Economic sectors</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009-Sep</b>	<b>Tot.</b>	<b>%</b>
Mining and Quarrying	28	48	64	115	255	45.1
Manufacturing industry	12	12	30	72	126	22.3
Real estate, renting and Business activities	0	8	20	0	28	4.9
Cooperative society of services	4	0	0	7	11	1.9
Electricity, gas and water supply	7	0	5	13	25	4.4
Transportations, Storage and Communications	3	0	5	2	10	1.8
Financial intermediation	3	2	2	2	9	1.6
Construction (building)	1	1	3	5	10	1.8
Fishing	0	1	3	3	7	1.2
Education	3	1	2	3	9	1.6
Health and social work	0	1	1	3	5	0.9
Public Administration and Security	0	0	4	2	6	1.1
Retail and Wholesale Commerce	0	0	2	0	2	0.4
Activity others	10	6	6	41	63	11.1
<b>TOTAL</b>	<b>71</b>	<b>80</b>	<b>147</b>	<b>268</b>	<b>566</b>	<b>100%</b>
Number of affected workers	<b>52754</b>	<b>50359</b>	<b>126827</b>			

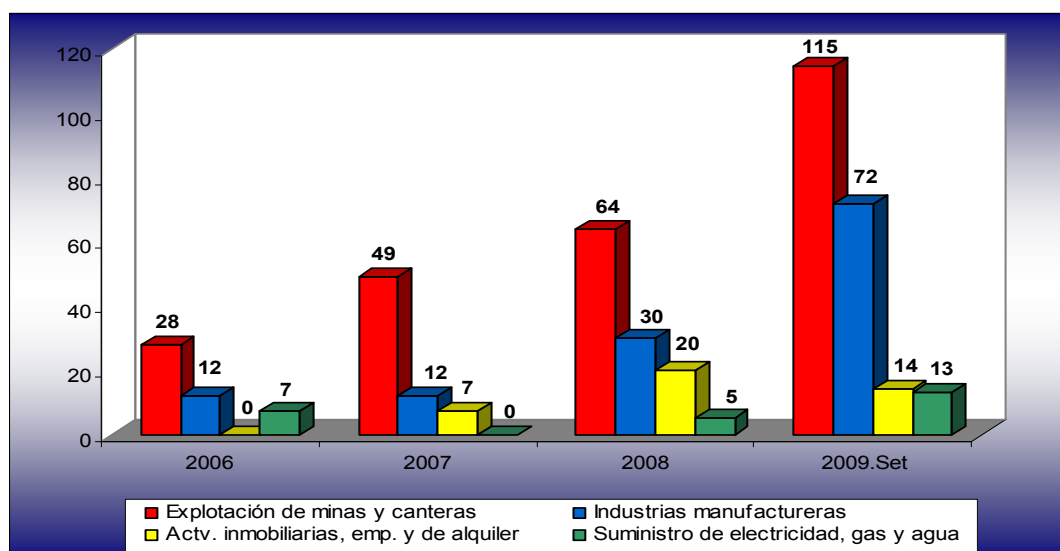
Source: National Direction of Working Relationships – MTPE

Also, there is no denying that the participations of the *collective labor conflicts* in each economy sector is asymmetric, but having more and compelling percentage

representation the confrontations in the Mining and quarrying productive sector (45,1%); followed by Industry and Manufacturing (22,3%), Real estate, renting and business activities (4,9%), Electricity, gas and water supply (4,4%), Cooperative society of services (1,9%), Transportations, storage and communications services (1,8%), construction (building) sector (1,8%), Financial intermediation (1,6%), education (1,6%), fishing (1,2%), among others (11,1%). See at table N° 1.

Likewise, we can see that each year the labor conflicts treated by the Ministry of Labor have dramatically increased, especially, in the Mining and Quarrying sector, more than 40%, and quicker than other sectors, the participation has been 39,4%, 60%, 43,5% and 43%, in these four years (2006-2009), respectively. On the other hand, we have to acknowledge that the participation of these *collective conflicts* in each productivity sector has been varied significantly in those years, too. Another sector labor conflict that has been increasing dramatically is *manufacturing industry*, indeed in the present year, 2009. Whereas, the other kind of sector labor conflicts are rarely and less significantly; and their increasing percentage rate have been basically small; we can see the behaviors of the most compelling labor conflicts in the graphic number one.

**Graph N° 1: Collective labor conflicts by economic sector**



Source: National Direction of Working Relationships – MTPE

There is not doubt that the causes that have been borne out these collective labor conflicts in these four years of assessing are different, they are not like other social, political, environment conflicts that used to be in Perú. These causes are more than 600,



it means more than the number of labor conflicts, however the compelling one cause is economic type which in turn, best typifies one of the major problems of Peruvian workers. Consequently, there are grounds to believe that workers are receiving low salaries, especially workmen who are making non specialized activities along with less productivity and qualification jobs.

This way, firstly, the main cause is definitely unresolved collective bargaining<sup>21</sup> and/or *submit complaint statement* sheet to the employers directly which includes asking or requirements of raising salaries (33,5%), both are unable to resolve their confrontations according to Collective Working Relationships Law; secondly, unjustified firing workers out or not renew hiring contracts of them (after finishing their prior period of contract) (17,4%), in this case workers are getting their own pink slip without clearly reasons.

Thirdly, non respectful or non union rights considerations by the employers (12,5%), fourth, non fulfillment or un respectful previous agreements (10%), non compliment of mining services obligations and compromises with workmen (1,7%), asking for increasing salary (3%), among other (21,7%). Of course, it is important to point out that in some cases, one *collective labor conflict* was motivated by more than one cause; finally, as a result in those tables we have more number of causes than number of labor conflicts in the period of assessing.

**Table N° 2: Main causes of collective labor conflicts**

Main causes	2006	2007	2008	2009-I	Total	%
Complaint Statement Sheet/Collective bargaining	25	36	85	69	215	33,5
Unrespectful of union rights (union license requirement)	19	7	32	22	80	12,5
Non fulfillment of previous agreements	15	9	20	14	64	10,0
Unjustified firing workers out	9	11	35	57	112	17,4
Non fulfillment of Mining services obligation	6	3	2	0	11	1,7
Asking for increasing salaries	2	7	7	3	19	3,0
Re- located in prior working position	1	1	0	0	2	0,3
Other causes	7	17	22	93	139	21,7
<b>TOTAL</b>	<b>84</b>	<b>91</b>	<b>203</b>	<b>167</b>	<b>642</b>	

Source: National Direction of Working Relationships – MTPE

Additionally, there are other types of motivations, for example, the natural and ideological rejection that some workers can have for private –national or foreign-

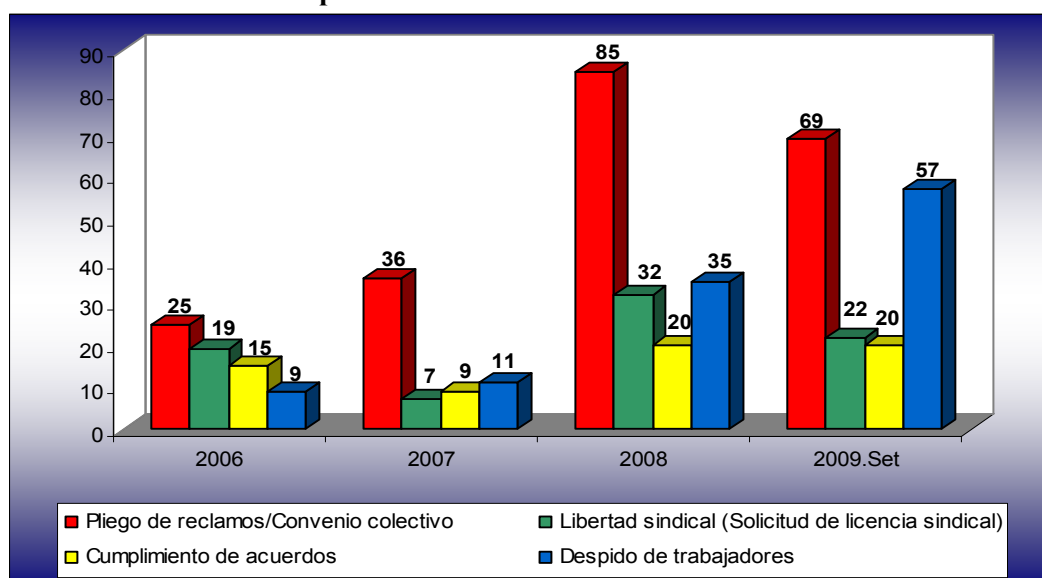
<sup>21</sup> According to Peruvian Working Collective Relationships Law.

investment (especially, workmen with less cultural level) in the Mining and Quarrying sector, in spite of the fact that 37 national and international mining companies signed a special voluntary contribution agreement with the Peruvian State by starting the current government. These mining companies compromised to contribute with more than a half million of New Soles per year; consequently, by the end of this period of government they will have to contribute with more than 2.500 millions of New Soles.

However, we can see that according to policy decision of central government, the Ministry of Economy and Finance has not transferred the total of the contributions yet, but also only a portion. This can be other motivation that from *political scope* crosses to *labor scope*, because the historically wrong redistribution of mining contributions have been caused in Perú sometimes, confrontations between regional governments, and/or among them with central government.

On the other hand, it could be that “cultural difference” with respect to the original Quechua population with a Hispanic background in the Mining and Quarrying sector is minimum because in this exporting-oriented-sector, workers and unions are worrying over keeping up with national and international information about mining prices evolution, main international buyers, international evolution, international financial crisis, among others; most of Peruvian mining workers are maintained a clearly Hispanic background.

**Graph N° 2: Main causes of labor conflicts**



Source: National Direction of Working Relationships – MTPE

Last but not least, as we can see overall, one of the main causes of collective labor conflicts *as time goes by* has been based on the scarcity of suitable and previous industrial organization preparations for labor policy and working relationship implementations in Perú; there are a lot of empirical evidences that labor laws are much rigid<sup>22</sup>, there are not scientific elaboration of proposal laws in Peruvian Congress, indeed in other public institutions.

Besides, exactly the organisation of economic policy preparation –including its process of formation- in mining sector is one of the most important factors to explain the major amount of labour conflicts, it is not like in other sectors, the institutions setting up are different, for example, there are especial rules to hire workers, for typical and for a non typical working day, especial enterprises to intermediate the hiring of workers for the mining companies, etc. Most of the times these *intermediate hiring companies* are viewed such abusive and un-respectful, because of the fact that they are hiring workers without providing them with all the social benefits according to Peruvian social labour regulation, fundamental working rights, etc.

**Table N° 3: Union workers in conflicts by economic sector**

<b>Economic sectors</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total</b>	<b>%</b>
Mining and Quarrying	117	0	0	<b>117</b>	0.05
Manufacturing industry	0	0	1214	<b>1214</b>	0.53
Real estate, renting and Business activities	22044	26361	36186	<b>84591</b>	36.79
Cooperative society of services	7552	8275	23178	<b>39005</b>	16.96
Electricity, gas and water supply	3718	0	3904	<b>7622</b>	3.31
Transportations, Storage and Communications	0	0	2790	<b>2790</b>	1.21
Financial intermediation	775	0	5022	<b>5797</b>	2.52
Construction (building)	5492	0	2742	<b>8234</b>	3.58
Fishing	2560	10242	27702	<b>40504</b>	17.62
Education	0	1630	14071	<b>15701</b>	6.83
Health and social work	7133	926	4414	<b>12473</b>	5.42
Public Administration and Security	3363	2539	2851	<b>8753</b>	3.81
Retail and Wholesale Commerce	0	386	255	<b>641</b>	0.28
Activity others	0	0	2498	<b>2498</b>	1.09
<b>TOTAL</b>	<b>52754</b>	<b>50359</b>	<b>126827</b>	<b>229940</b>	<b>100</b>

Source: National Direction of Working Relationships – MTPE

<sup>22</sup> Instituto Peruano de Economía. Diary comment “Labor Reform”. Lima. February, 19<sup>th</sup>. 2009.

## **The dealing of the Ministry with collective labor conflicts**

First and foremost, it is fair to point out that Peruvian Administration Labor according to *Labor Collective Relationship Law*<sup>23</sup> has implemented four different legal tools such as Labor Conciliation, Labor Negotiation, Labor Mediation, and Labor Arbitration to provide workers and employers with *resolving friendly labor conflicts mechanisms*, and this fact is in turn making worker's knowledge and development sharper, however many workers beings are faced with the need of being these Mechanisms friendly, which is something that they might not have been used to. Indeed, these four administrative processes have not allowed them to resolve all theirs completely daily own conflicts in the labor market.

The currently efforts and functions of Peruvian Administrator Labor is seeking to keep these conflicts on a slowly even keel rate, for instance, the Peruvian Administration Labor has been implemented "Labor Conflict Resolution Related Alternative Mechanisms" such as "informative meetings", "extra-process meetings", and "dialogue meetings", indeed, some results of using them might become more beneficial for Peruvian mining workers than other economic sector workers. Peruvian workers must anticipate the importance of "Labor Conflict Solution Related Alternative Mechanisms" to resolve their social and economic problems; consequently, "Alternative Mechanisms" which would definitely help employees and employers to participate in social dialogue policies, do not become a misunderstanding prone issue, maybe unlike some mechanisms in the *Labor Collective Relationship Law*.

The National Direction of Working Relationships after taking account of the existence (or possibility) of these conflicts by Early Alert System, the direct communication of Regional Directions, workers and/or unions in disputes, or maybe by presenting "striking resolutions of unions"; in prior way the Ministry of Labor to summon workers and employers in conflict to know better about the *conflict facts* through "informative meetings" and/or "dialogue meetings". Additionally, if it is possible, the Ministry makes official diligences to make official inspectional visits to the workplaces in

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<sup>23</sup> Passed in 2003.

disputes or controversies, in coordination with National Direction of Inspection of this Ministry.

**Table N° 4: Informative meetings, dialogue meetings and extra-process meetings**

<b>Economic sectors</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009.Set</b>	<b>TOTAL</b>	<b>%</b>
Fishing	0	0	15	5	20	1.0
Mining and Quarrying	48	123	276	526	973	49.4
Manufacturing industry	15	45	116	317	493	25.1
Electricity, gas and water supply	9	4	18	29	60	3.0
Construction and building	0	0	11	11	22	1.1
Retail and Wholesale Commerce	0	0	7	0	7	0.4
Cooperative society of services	7	0	0	11	18	0.9
Transports, Storage and Communications	5	2	11	12	30	1.5
Financial intermediation	3	5	3	7	18	0.9
Administración pública y defensa	0	0	12	0	12	0.6
Education	3	3	5	5	16	0.8
Real estate, renting and business activities	0	21	39	0	60	3.0
Social and Health Services	0	0	1	10	11	0.6
Other activities	14	8	22	184	228	11.6
<b>TOTAL</b>	<b>104</b>	<b>211</b>	<b>536</b>	<b>1117</b>	<b>1968</b>	<b>100%</b>

Source: National Direction of Working Relationships – MTPE

After that, the Ministry to summon workers and employers in conflict especial meetings called “extra-process”, they have been more than 95% in our period of assessing, then as we can see in table N° 3, the participation of *mining and quarrying sector* is more than 50%, followed by *manufacturing industry* with 26%; the different meetings are concentrated in both economy sector (74,5%). The *extra-process meeting* rate control is intended to foster reasonable monitoring of labor conflicts in these two economy sectors; that is why a proper follow through must apply.

Meeting’s participation in other economic sectors have been according to those *labor conflicts*, for example, real estate, renting and business activities with 3,0%, electricity, gas and water supply 3%, transports, storage and communications sector has participated with 1,5%, fishing 1%, financial intermediation 0,9%, cooperative society of services 0,9%, other activities. These results consider the stock of *collective labor conflicts* in the four years, but if we see the flux of year per year, we can notice that the participation of each sector is different but the two higher are *mining and quarrying* and *manufacturing industry* sectors.

The number of these kinds of different meetings does not have any limits in the different productivity sectors in order to resolve each labor conflict, in some cases this number is more than twenty (22); given that workers and employer representations must think over about their proposals, it would require to consult with other members, union bases or enterprise owners, whereas in other cases it can mean that there has been nonflexible positions of both negotiator parts, basically, in the case of anachronism unions –influenced by political positions- or non respectful employers<sup>24</sup>.

### **Solved collective labor conflicts and main agreements**

There is no denying that detrimentally off the shelf situations in the labor market are resolved if the Labor Authority provides employees and employers with especially designed prior Labor Conflict Resolution Related Alternative Mechanisms such as “informative meetings”, “extra-process meetings”, and “dialogue meetings”<sup>25</sup>; for instance, in these assessed years (2006-2009) the Ministry of Labor have carefully resolved 234 labor conflicts, which in turn have allowed us to avoid potential quite economy costs from stoppages (or strikes) and odd social reactions on streets every day in different regions of Perú, or maybe extremely hazardous and noisy protests in front of the Ministry of Labor in Lima.

This way, in accordance with the fact that labor disputes play “as time goes by” a more prominent role in industrial relationships in Perú, Peruvian workers must anticipate the economic cost that strikes can report for our country, for instance, the labor conflict growth rate control is intended to foster reasonable monitoring of the labor conflicts, that is why a proper follow through must apply.

On the other hand, we must to acknowledge that these so-called *social labor conflicts* can and are making Peruvian union workers fall prey to this senseless complaint and conflictive related trend to the extent where unionized worker rights and Labor Conflict Resolution Related Alternative Mechanisms have become a double edged sword in terms of convenience and/or benefit. Peruvian workers are stressing over keeping up

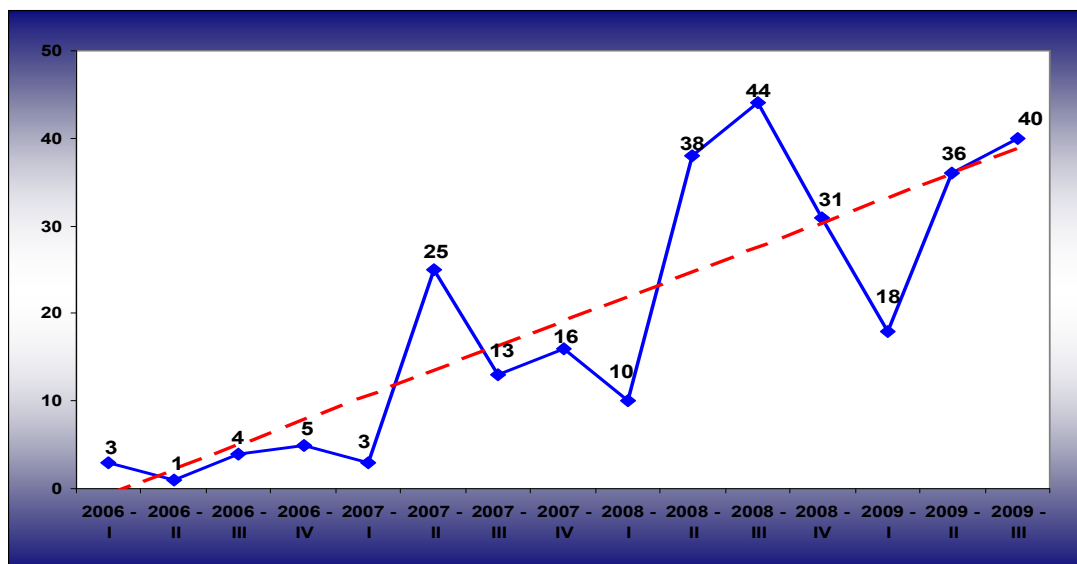
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<sup>24</sup> Indeed, some of these enterprises could not practice Social Responsibility Labor Policies (RSE); and/or they do not have vanguard family friendly policies.

<sup>25</sup> It seems that the Peruvian way of organizing shows some similarity to The Netherlands model (Butter, Frank, 2009).

with their bargaining capacity and their sense of justice by these collective labor conflicts.

**Graph N° 3: Quarterly flux of solved collective labor conflicts (2006-2009)**



Source: National Direction of Working Relationships – MTPE

This way, the workers who were participate in the *labor conflicts* after signing agreement minutes with employer representations with intervention of the Ministry of Labor were benefited with at least one economic and social related benefit such as raising salary, hiring workers again after being fired out by bad employers, especial economic benefits or bonus for their child in schooling age, food nutrition allowance, working uniforms for doing daily activities at workplaces, working under earth and/or working in the hills monetary assignments in the case of mining industry, monetary assignment vacations, completion of Complaint Statement Sheets, bonuses for death of workers and/or nearest relatives, among others. The amount of resolved labor conflicts has been increased “as time goes by”; see at table N° 4.

Consequently, the total of benefited workers from resolved *collective labor conflicts*, near of 25% were benefited with generally salary increasing, hence in spite of labor conflicts being one of social problems, workers are thoughtfully benefited from them. Indeed, different Peruvian labor economists and international institutions, especially the International Labor Organization (ILO), were fostered that salary in Peruvian labor market is lower and cheaper than other in Latin America countries. Furthermore, they

said that the Legal Minimum Wage allows finance only the 40% of Basic Familiar Budget.

**Table N° 5: Solved collective labor conflicts by economic sector**

<b>Economic Sectors</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Total</b>	<b>Par %</b>
Mining and Quarrying	8	45	78	71	202	64,5
Cooperative society of services	3	0	0	0	3	1,0
Electricity, gas and water supply	1	0	0	0	1	0,3
Manufacturing industry	0	3	15	20	38	12,1
Construction (building)	0	0	5	4	9	2,9
Commerce	0	1	1	0	1	0,3
Transports, Storage and Communications	0	0	0	2	2	0,6
Financial intermediation	0	0	0	2	2	0,6
Real estate, renting and business activities	0	6	21	13	40	12,8
Fishing	0	1	0	0	1	0,3
Education	0	1	2	0	3	1,0
Activity others	1	1	1	8	11	3,5
<b>TOTAL</b>	<b>13</b>	<b>57</b>	<b>123</b>	<b>120</b>	<b>313</b>	<b>100</b>
Benefited workers (thousands)	20,76	50,10	137,11	51,77	260	

Source: National Direction of Working Relationships – MTPE

According to the International Standard Industrial Classification (ISIC) the large number of resolved labor conflicts are precisely from Mining and Quarrying Sector, more than 60%, the most conflicting economic sector, following by the Real state, renting and business activities (13%), Manufacturing industry (12%), Construction (3%), Education (1,0%), among others. Other characteristic showed is the rapidly increasing of resolved labor conflicts in the period of study (2006-2009), the increasing rate in this period is extremely significant. See graph number 2.

The main agreements between employers and employees through signing *agreement minutes* in the *extra-process meetings* in the Ministry of Labor and finish their confrontations were more than 580, which in turn maintain a thoughtfully relationship with economic issues, labor conditions at workplaces, social welfare in their community, indeed with politic affairs; however, the economic (monetary) entrepreneur compromises with their workers were the most notorious agreements. The participating of salary increasing agreement (N.S/. 10 New Soles monthly) was 17,2%.

**Table N° 6: Main agreements in the solved collective labor conflicts**



Main agreements:	2006	2007	2008	Set.2009	Tot.	%
General salary increasing of salary	5	21	47	27	100	17,2
Extra allowance /closing negotiation	1	11	25	18	55	9,4
Food allowances	1	17	6	5	29	5,0
Child schooling allowances	0	15	22	12	49	8,4
Special allowance to perfect assistance	1	0	15	0	16	2,7
Allowance per dead of workers and/or their family	2	4	9	29	44	7,5
Re – hiring of workers (re - incorporate)	1	6	1	4	12	2,1
Re - located in prior working position	3	2	1	1	7	1,2
Other agreements (union licenses, other special allowances, working dress, equipments and tools, etc.)	14	71	104	82	271	46,5
<b>Total</b>	<b>28</b>	<b>147</b>	<b>230</b>	<b>178</b>	<b>583</b>	<b>100%</b>

Source: National Direction of Working Relationships – MTPE

#### IV.- Theoretic model considered by Labor Administrative Authority to deal with collective labor conflicts

The mathematic function that is finding to optimization the Labor Administrative Authority in a period is the following  $V(0)$ , number 4.1, in this we must to consider an additional variable to represent the number of labor conflicts ( $\mu$ ) dealt with, by the Ministry of Labor, it has a negative effect in the Peruvian social and economy, which in turn  $\mu$  must be the least possible. It is important to point out that it is impossible to think that this variable (the collective labor conflicts) could be zero, because of the fact that labor conflicts are inherent to employers and employees relationships in the Labor market; indeed, according to the different theoretic imperfections in the market, admitted by economic theory.

$$\max_{c(t)} V(0) = \int_0^T v[k(t), c(t), t, \mu] dt \quad (4.1)$$

Thus, we must take account that the production social function considered for the country is:

$$Y(t) = F \left[ \underset{+}{K(t)}, \underset{+}{L(t)}, \underset{+}{t}, \underset{-}{\mu} \right] \quad (4.2)$$

$K$ : capital stock;  $k(t)$ : stock of capital percapita

$c(t)$ : Consumption

$L$ : Laboral

$t$ : Time

$\mu$ : Collective labor conflicts

As we can see, the social production function directly depends on the productive factors capital and labor, and the time, in normal situations or not financial international crisis, whereas the labor conflicts represented by  $\mu$ , it has a negative effect in Peruvian economy, because of labor conflicts affect negatively the current enterprise production function, the workers are distracted in the production process in order to bargain their complaint sheets and find solutions for their labor problems.

On the other hand, the benefit function that the enterprises  $i$  finds to maximization is directly related with production level “ $f$ ” and adversely related with the production costs and the costs of collective labor conflicts  $\mu$  in the period of assessing, it could be represented by:

$$\pi_i(t) = f(k(t), l(t), t, \mu) - (r + \delta).k - wl - c(\mu) \quad (4.3)$$

In equation 4.3, both  $r$  and  $\delta$  represent the traditional costs of capital and depreciation of physical capital, respectively, and  $w.l$  is the cost of labor force, furthermore, the enterprises to confront labor conflict costs, and finds to reduce bolstered by the Ministry of Labor, this is represented by  $c(\mu)$ . The technology or production function  $y(t)$  has such as restrictions the capital and labor force; besides, the function depends on the time  $t$  and negatively of the number of labor conflicts  $\mu$  happened in a determined period of time.

$$y_i(t) = f(k(t), l(t), t, \mu) \quad (4.4)$$

Regarded with the families, we have that they are the owner of the labor force  $l$ , they supply their labor services to the enterprises in order to receive a dignity salary to consume goods and/or services in order to satisfy their own necessities and maximize their utility function as time goes by. The utility function is represented by:

$$U = \int_0^{\infty} u[c(t)]e^{-\rho t} . e^{nt} . e^{-\rho t} . dt \quad (4.5)$$

This function allows us to understand that it is about a representative family that is related directly to consume, and considers the utility of its future generations, whereas it is affected negatively by the labor conflicts at workplaces, represented by the increasing rate “ $\rho$ ”. The discounted rate  $\rho$  shows that as the time goes by, or is larger, the

importance of future generations in the current period by the representative family is going down. However, and equal to Ramsey (1.928), we can assumption that the  $\rho = 0$ , for example, in the case it is a welfare function of social planer. Thus we can rewrite the utility function (4.5) as:

$$U = \int_0^{\infty} u[c(t)]e^{-\phi t} \cdot e^{nt} \cdot dt \quad (4.6)$$

This way, we can say that the consume of the family in a moment  $c(t)$  is directly related with the salary ( $y_l(t)$ ) and the not labor income  $y_N(t)$ , such as the those revenues which come from the small workers business, their rents from hiring some properties, interest earnings, etc., ( $y_{ln}(t)$ ), furthermore, the  $c(t)$  is affected negatively by the labor conflicts ( $\mu$ ) that appeared in the relationships with their own employers, when they have not attended their complaints.

$$c_i(t) = c(y_{l+}(t), y_{N+}(t), \mu_{-}) \quad (4.7)$$

Supposedly that the representative family does not save money because of the fact that the salaries are very cheap in Perú, and especially of union workmen in collective labor conflict, the real budget restriction must be:

$$c_i(t) = w(t)I + y_{Nl} - \gamma w(t, \mu) \quad (4.8)$$

In equation 4.8, the symbol  $\gamma$  represents the fraction of the income that the workers loss by collective labor conflicts in Perú, which in turn affects negatively the consumption of workers. The resolution of the model allows us to find the optimum level of labor conflicts  $\mu^*$  that the Labor Administrative Authority must maintain (slowly, in the steady state, stable and predecible), consequently, to get the optimum of social welfare function or reduce at minimum the social costs from these collective labor conflicts, in the different productive sectors; but especially in the mining activity.

$$\mu^* = \mu(\phi_{+}, n_{+}, t_{+/-}, \rho_{-}) \quad (4.9)$$

The quantity of collective labor conflicts  $\mu$  is directly related with the increasing of them  $\phi$ , the rate of increasing workers  $n$ , but we can not know prior the time  $t$ , because of the fact that these labor conflicts change according to the period of time we are assessing. Finally,  $\mu$  is negatively (against) related with the discounted time rate ( $\rho$ ), if the workers discounted much the future, or they are less worried about their future generations, they are not interested in improve their current (or future) salaries;

consequently, they not present salaries complaint sheet, or other type, thus reduced the quantity of collective labor conflicts:  $\mu$ .

#### **V.- Main socioeconomic benefits from solved collective labor conflicts with the intervention of the Ministry of Labor**

First and foremost, it is fair to point out that it is necessary to estimate the benefit for Peruvian Economy of the collective labor conflict resolutions, in order to know the main results of positive Labor Authority interventions; furthermore, to inform our country about the results of the government function, assessing costs vs. benefits. For instance, I have proposed at Ministry of Labor the following simple methodology.

##### **Practice method used by the Ministry of Labor to estimate the main benefits**

This method intends to measure the benefits of prevention strikes and stoppages in different economic sectors, especially mining sector, according to the follow steps:

First, we must to see and count how many resolved collective labor conflicts per each economic productive sectors after signing workers and employers an “agreement minute”; it is important to point out that the number of these resolved labor conflicts are more than the number of “agreement minutes”. For example, in a big mining company there are different thirdly sub contract enterprises so-called in Perú such as *services*; most of the time by signing one of these “minute” the Ministry of Labor achieve to resolve more than one *collective conflict in the labor market*.

Second, we must take account the value of labor hour ( $V_h$ ) in each economic sector, for example in the mining sector ( $V_{hm}$ ), we can use the mining exportations as Proxy value of mining sector, divided by the number of total working hours in the period of assessing (2006-2009). In this case I hope that the value of one hour will be equal to the estimated value by the National Society of Mining, Oil and Energy (SNMPE); especially, when they estimate the costs of mining stoppages for Peruvian economy.

$$V_{hm} = \frac{GDP_{Mining}}{hm.total} \quad (5.1)$$

Third, regarding the number of days I have considered as potential stoppages avoided after solving *collective labor conflict*, they must provide from duration historic dates of previous stoppages issued by the Statistics Office of the Ministry of Labor; or maybe we can take the average previously strike days, or forty eight (48) hours, the duration of the last stoppage in the mining sector. This is consistent with the previous observed information. Besides, we can use all the relevant information in order to avoid the well know “Lucas critique”.

Fourth, the total of avoided losing hours must be estimated per each enterprise which resolved their conflicts, it is obtained multiplied the number of workers by days obtained in stage third,

Fifth, the number of hour estimated in the stage fourth must be multiplied by the value of one hour in their own economic sector ( $Vhm$ ), after that we have to obtain the value of benefits per each enterprise that has resolved their confrontations with their own workers by participating in extra process meetings in the Ministry of Labor.

$$Evit_i = Vhm * t_i \quad (5.2)$$

Finally, sixth, when we obtain the addition of the last estimations -per each resolved collective labor conflict case ( $Evit_i$ )-, we are obtaining the monetary value benefit from directly intervention of the Ministry of Labor in prevention and resolution labor conflict policy.

$$Benefits = \sum_{i=1}^n Evit_i \quad (5.3)$$

### **Estimation of the economic benefits to Perú by preventing and solved collective labor conflicts**

The social and economic benefits for Perú of intervention of Ministry of Labor to resolve collective labor conflicts are different, the improving of the worker are related with better salaries, social conditions, healthy and security in the workplaces, etc., of the Economically Activity Population (PEA). During the period of assessing more than 206 thousands of Peruvian workers were benefited from resolution of the labor conflicts,

approximately the 25% of them were increased their salaries. Furthermore, the enterprises were allowed to produce and sell to obtain benefits.

**Table N° 7: Collective Labor Conflicts solved by the Ministry of Labor (2006 – 2009)**

Years	Extraprocess meetings	Number of resolved labor conflicts	Benefited workers (Thousands)
2006	103	13	20,76
2007	211	57	50,10
2008	759	123	137,11
2009*	879	120	51,77
<b>Total</b>	<b>1.952</b>	<b>313</b>	<b>260,</b>

Source: National Direction of Working Relationships – MTPE

(\*) January – September, 2009.

Likewise, we must to consider that the organization of informative meetings, dialogue meetings and extraprocess meetings, promoted every day by the Ministry of Labor express the predisposition of Peruvian worker and employers in disputing to participate in the social dialogue, by this workers and employers can facilitate to express their positions, proposals, ideas, even political decisions, etc., which in turn this can be seen as mechanism to allow to strengthen the democratic values in Perú, this is an important additional benefit that most of the time is ignored.

**Table N° 8: Benefits from solved collective labor conflicts in the mining sector (2006 - 2009) (annual fluxes)**

Years	Extraprocess meetings	Resolved Collectv Labor conflicts	Benefited mining workers (Thousand)	Benefits (Mill. US\$)
2006	48	8	15,31	20,0
2007	123	45	40,37	65,0
2008	276	78	34,87	60,0
2009*	526	71	29,23	62,8
<b>Total</b>	<b>973</b>	<b>202</b>		<b>207,8</b>

Source: National Direction of Working Relationships – MTPE

(\*) January – September, 2009.

Thus, we can see that since January, 2006, up to the third quarterly of present year, 2009, the Ministry of Labor directly avoided huge economic losses especially in the mining sector, more than US\$ 207 mills. This estimation is not considering the indirect benefits such as social US\$ Dollars to finance some importations, the collect of taxes revenue to finance social projects, among others. Finally, the number of benefited

workers in other economic sectors after solved their labor conflicts are in table N° 9, the more benefited were mining workers.

**Table N° 9: Number of benefited union workers after solved collective conflicts**

<b>Economic sectors</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total</b>	<b>%</b>
Mining and Quarrying	0	0	0	<b>0</b>	0.00
Manufacturing industry	0	0	0	<b>0</b>	0.00
Real estate, renting and Business activities	15.311	20.645	19.983	<b>55.939</b>	61.36
Cooperative society of services	0	3.002	14.502	<b>17.504</b>	19.20
Electricity, gas and water supply	645	0	0	<b>645</b>	0.71
Transportations, Storage and Communications	0	0	1.115	<b>1.115</b>	1.22
Financial intermediation	128	0	0	<b>128</b>	0.14
Construction (building)	0	0	0	<b>0</b>	0.00
Fishing	0	0	0	<b>0</b>	0.00
Education	0	419	9.874	<b>10.293</b>	11.29
Health and social work	0	0	0	<b>0</b>	0.00
Public Administration and Security	0	2.539	2.851	<b>5.390</b>	5.91
Retail and Wholesale Commerce	0	0	0	<b>0</b>	0.00
Activity others	0	0	157	<b>157</b>	0.17
<b>TOTAL</b>	<b>16.084</b>	<b>26.605</b>	<b>48.482</b>	<b>91.171</b>	<b>100</b>

Source: National Direction of Working Relationships – MTPE

## **VI.- Conclusions and recommendations**

Beyond any reasonable doubt, behavior of mining stakeholders are not liken other economic sectors related participants which in turn is likely to bring different results in terms of *collective working relationships*, furthermore other important factor as 'industrial organization of economic policy preparation' would definitely challenge them and be a misunderstanding prone issue, if overlooked. Likewise, it is fair to point out that Peruvian government 'as time goes by' is not used to deal with the relation between scientific insights and policy proposals in the institutional setup of 'economic policy preparation' which in turn is making to bring social frustrations and problems. This is exactly what happened currently in different economic sectors too.

Some *collective labor conflicts* might become useful for some Peruvian mining workers to reach better labor conditions, it appears that in Perú the positive and benefit influence of labor conflict on wage formation is intended to foster a reasonable monitoring of the social dialogue, liken other countries such as The Netherlands and France. On the other hand, these so called *collective labor conflicts* can and are making worker's unions fall

prey to this senseless complaining and conflicting related trend to the extent where unionized rights have become a double edged sword in terms of convenience. Worker unions are negotiated their salaries independently -without national coordination- which in turn is likely to bring big differences -in terms of social and economic conditions- between workers.

To be fair and square, as technology earns more benefits day by day, we have to understand that the journey of true Peruvian progress is regarded with a correct 'industrial organization of economic policy preparation' like The Netherlands and other European countries. This could be relatively a new concept in Perú that the government should assess and consider in its institutional setup of economic policy preparations.

On reflection, and spite of the dependency it might sometimes trigger the breakthrough of the labor conflicts themselves remain favorable for Peruvian workers whereas the disadvantage related discouragement/issue labor unionized can be seen as minor. Workers are stressing over keeping up with their status. The Ministry of Labor must anticipate the importance of "mining conflicts" and other important factors such as causes ("raising salary" and "special bonus"). Furthermore, some *collective labor conflicts* might become overwhelming and useful especially for some Peruvian mining workers.

To be fair and square, the costs of unresolved labor conflicts mean quite losses in Perú, not only in lost labor hours but it is also in the future capacity productivity and general wealth. This in the long run make increasing workers income seem less available because these labor problems are in fact a gimmick/detrimental. As we speak, an adequate social conflict management is becoming ever more compelling, and despite this sense of importance that solution implies, we are constantly encouraged to fulfill other ways to resolve social problems in order to look socially better. These –in the long run- make social conflicts seem less available because social needs are in fact a gimmick.

It is important to point out that the Ministry of Labor must consider to implement a special Analysis Department of Labor Conflict in order to assess *collective labor conflicts* scientifically, this special office must evaluate causes or motivations of the



conflicts, their treatment, evolution, to obtain conclusions to set up scientifically public policies to reduce them, or for giving especial training in prevention and resolution labor conflicts. Besides, other function should be to manage the Early Alert System. This Office must be integrated by engineers, economists, but not lawyers.

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